

**Senate File 448 - Introduced**

SENATE FILE 448

BY ZAUN

**A BILL FOR**

1 An Act relating to state taxes by eliminating the individual  
2 income tax, increasing the sales and use tax rates, making  
3 conforming changes, and including effective date and  
4 applicability provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

REPEAL OF THE INDIVIDUAL INCOME TAX

1  
2  
3 Section 1. Section 15.293A, subsection 1, paragraphs a and  
4 b, Code 2013, are amended to read as follows:

5 a. A redevelopment tax credit shall be allowed against  
6 the taxes imposed in chapter 422, divisions ~~II~~, ~~III~~, and V,  
7 and in chapter 432, and against the moneys and credits tax  
8 imposed in section 533.329, for a portion of a taxpayer's  
9 equity investment, as provided in subsection 3, in a qualifying  
10 redevelopment project.

11 ~~b. An individual may claim a tax credit under this~~  
12 ~~subsection of a partnership, limited liability company,~~  
13 ~~S corporation, estate, or trust electing to have income~~  
14 ~~taxed directly to the individual. The amount claimed by the~~  
15 ~~individual shall be based upon the pro rata share of the~~  
16 ~~individual's earnings from the partnership, limited liability~~  
17 ~~company, S corporation, estate, or trust.~~

18 Sec. 2. Section 15.293A, subsection 2, paragraph b,  
19 subparagraphs (3) and (6), Code 2013, are amended to read as  
20 follows:

21 (3) The tax credit certificate, unless rescinded by the  
22 authority, shall be accepted by the department of revenue as  
23 payment for taxes imposed pursuant to chapter 422, divisions  
24 ~~II~~, ~~III~~, and V, and in chapter 432, and for the moneys and  
25 credits tax imposed in section 533.329, subject to any  
26 conditions or restrictions placed by the authority upon  
27 the face of the tax credit certificate and subject to the  
28 limitations of this section.

29 (6) A tax credit shall not be claimed by a transferee  
30 under this section until a replacement tax credit certificate  
31 identifying the transferee as the proper holder has been  
32 issued. The transferee may use the amount of the tax credit  
33 transferred against the taxes imposed in chapter 422, divisions  
34 ~~II~~, ~~III~~, and V, and in chapter 432, and against the moneys and  
35 credits tax imposed in section 533.329, for any tax year the

1 original transferor could have claimed the tax credit. Any  
2 consideration received for the transfer of the tax credit shall  
3 not be included as income under chapter 422, divisions ~~II~~, ~~III~~,  
4 and V. Any consideration paid for the transfer of the tax  
5 credit shall not be deducted from income under chapter 422,  
6 divisions ~~II~~, ~~III~~, and V.

7 Sec. 3. Section 15.293A, subsection 4, Code 2013, is amended  
8 to read as follows:

9 4. For purposes of ~~individual and~~ corporate income taxes and  
10 the franchise tax, the increase in the basis of the redeveloped  
11 property that would otherwise result from the qualified  
12 redevelopment costs shall be reduced by the amount of the  
13 credit computed under this part.

14 Sec. 4. Section 15.333, subsection 1, Code 2013, is amended  
15 to read as follows:

16 1. An eligible business may claim a tax credit equal to  
17 a percentage of the new investment directly related to new  
18 jobs created or retained by the location or expansion of an  
19 eligible business under the program. The tax credit shall be  
20 amortized equally over five calendar years. The tax credit  
21 shall be allowed against taxes imposed under chapter 422,  
22 division ~~II~~, ~~III~~, or V, and against the moneys and credits tax  
23 imposed in section 533.329. ~~If the business is a partnership,~~  
24 ~~S corporation, limited liability company, cooperative organized~~  
25 ~~under chapter 501 and filing as a partnership for federal tax~~  
26 ~~purposes, or estate or trust electing to have the income taxed~~  
27 ~~directly to the individual, an individual may claim the tax~~  
28 ~~credit allowed. The amount claimed by the individual shall~~  
29 ~~be based upon the pro rata share of the individual's earnings~~  
30 ~~of the partnership, S corporation, limited liability company,~~  
31 ~~cooperative organized under chapter 501 and filing as a~~  
32 ~~partnership for federal tax purposes, or estate or trust. The~~  
33 percentage shall be determined as provided in section 15.335A.  
34 Any tax credit in excess of the tax liability for the tax year  
35 may be credited to the tax liability for the following seven

1 years or until depleted, whichever occurs first.

2 Sec. 5. Section 15.335, subsection 6, Code 2013, is amended  
3 by striking the subsection.

4 Sec. 6. Section 15E.43, subsection 1, paragraph a, Code  
5 2013, is amended to read as follows:

6 a. For tax years beginning on or after January 1, 2002,  
7 a tax credit shall be allowed against the taxes imposed in  
8 chapter 422, divisions II~~7~~, III~~7~~, and V, and in chapter 432, and  
9 against the moneys and credits tax imposed in section 533.329,  
10 for a portion of a taxpayer's equity investment, as provided  
11 in subsection 2, in a qualifying business or a community-based  
12 seed capital fund. ~~An individual may claim a tax credit~~  
13 ~~under this paragraph of a partnership, limited liability~~  
14 ~~company, S corporation, estate, or trust electing to have~~  
15 ~~income taxed directly to the individual. The amount claimed~~  
16 ~~by the individual shall be based upon the pro rata share of the~~  
17 ~~individual's earnings from the partnership, limited liability~~  
18 ~~company, S corporation, estate, or trust.~~

19 Sec. 7. Section 15E.43, subsection 1, paragraph c, Code  
20 2013, is amended by striking the paragraph.

21 Sec. 8. Section 15E.44, subsection 4, Code 2013, is amended  
22 to read as follows:

23 4. After verifying the eligibility of a qualifying  
24 business, the authority shall issue a tax credit certificate  
25 to be attached to the equity investor's tax return. The tax  
26 credit certificate shall contain the taxpayer's name, address,  
27 tax identification number, the amount of credit, the name of  
28 the qualifying business, and other information required by the  
29 department of revenue. The tax credit certificate, unless  
30 rescinded by the authority, shall be accepted by the department  
31 of revenue as payment for taxes imposed pursuant to chapter  
32 422, divisions II~~7~~, III~~7~~, and V, and in chapter 432, and for the  
33 moneys and credits tax imposed in section 533.329, subject to  
34 any conditions or restrictions placed by the authority upon  
35 the face of the tax credit certificate and subject to the

1 limitations of section 15E.43.

2 Sec. 9. Section 15E.45, subsection 4, Code 2013, is amended  
3 to read as follows:

4 4. After verifying the eligibility of the community-based  
5 seed capital fund, the authority shall issue a tax credit  
6 certificate to be attached to the taxpayer's tax return. The  
7 tax credit certificate shall contain the taxpayer's name,  
8 address, tax identification number, the amount of the tax  
9 credit, the name of the community-based seed capital fund, and  
10 other information required by the department of revenue. The  
11 tax credit certificate, unless rescinded by the authority,  
12 shall be accepted by the department of revenue or a local  
13 taxing district, as applicable, as payment for taxes imposed  
14 pursuant to chapter 422, divisions II, III, and V, and chapter  
15 432, and as payment for the moneys and credits tax imposed  
16 pursuant to section 533.329, subject to any conditions or  
17 restrictions placed by the authority on the face of the tax  
18 credit certificate and subject to the limitations of section  
19 15E.43.

20 Sec. 10. Section 15E.52, subsection 2, Code 2013, is amended  
21 to read as follows:

22 2. ~~a.~~ A tax credit shall be allowed against the taxes  
23 imposed in chapter 422, divisions II, III, and V, and in  
24 chapter 432, and against the moneys and credits tax imposed  
25 in section 533.329, for a portion of a taxpayer's equity  
26 investment in the form of cash in an innovation fund.

27 ~~b.~~ ~~An individual may claim a tax credit under this section~~  
28 ~~of a partnership, limited liability company, S corporation,~~  
29 ~~estate, or trust electing to have income taxed directly to~~  
30 ~~the individual. The amount claimed by the individual shall~~  
31 ~~be based upon the pro rata share of the individual's earnings~~  
32 ~~from the partnership, limited liability company, S corporation,~~  
33 ~~estate, or trust.~~

34 Sec. 11. Section 15E.62, subsection 6, Code 2013, is amended  
35 to read as follows:

1 6. "Tax credit" means a contingent tax credit issued  
2 pursuant to section 15E.66 that is available against tax  
3 liabilities imposed by chapter 422, divisions ~~II~~, ~~III~~, and  
4 V, and by chapter 432 and against the moneys and credits tax  
5 imposed by section 533.329.

6 Sec. 12. Section 15E.66, subsection 1, Code 2013, is amended  
7 to read as follows:

8 1. The board may issue certificates and related tax credits  
9 to designated investors which, if redeemed for the maximum  
10 possible amount, shall not exceed a total aggregate of sixty  
11 million dollars of tax credits. The certificates shall be  
12 issued contemporaneously with a commitment to invest in the  
13 Iowa fund of funds by a designated investor. A certificate  
14 issued by the board shall have a specific maturity date or  
15 dates designated by the board and shall be redeemable only in  
16 accordance with the contingencies reflected on the certificate  
17 or incorporated therein by reference. A certificate and the  
18 related tax credit shall be transferable by the designated  
19 investor. A tax credit shall not be claimed or redeemed except  
20 by a designated investor or transferee in accordance with the  
21 terms of a certificate from the board. A tax credit shall not  
22 be claimed for a tax year that begins earlier than the maturity  
23 date or dates stated on the certificate. ~~An individual may~~  
24 ~~claim the credit of a partnership, limited liability company,~~  
25 ~~S corporation, estate, or trust electing to have the income~~  
26 ~~taxed directly to the individual. The amount claimed by the~~  
27 ~~individual shall be based upon the pro rata share of the~~  
28 ~~individual's earnings from the partnership, limited liability~~  
29 ~~company, S corporation, estate, or trust. Any tax credit in~~  
30 ~~excess of the taxpayer's tax liability for the tax year may be~~  
31 ~~credited to the tax liability for the following seven years, or~~  
32 ~~until depleted, whichever is earlier.~~

33 Sec. 13. Section 15E.193B, subsection 6, paragraph a, Code  
34 2013, is amended to read as follows:

35 a. An eligible housing business may claim a tax credit up

1 to a maximum of ten percent of the new investment which is  
 2 directly related to the building or rehabilitating of a minimum  
 3 of four single-family homes located in that part of a city  
 4 or county in which there is a designated enterprise zone or  
 5 one multiple dwelling unit building containing three or more  
 6 individual dwelling units located in that part of a city or  
 7 county in which there is a designated enterprise zone. The new  
 8 investment that may be used to compute the tax credit shall not  
 9 exceed the new investment used for the first one hundred forty  
 10 thousand dollars of value for each single-family home or for  
 11 each unit of a multiple dwelling unit building containing three  
 12 or more units. The tax credit may be used to reduce the tax  
 13 liability imposed under chapter 422, division II, III, or V, or  
 14 chapter 432. Any credit in excess of the tax liability for the  
 15 tax year may be credited to the tax liability for the following  
 16 seven years or until depleted, whichever occurs earlier. ~~If~~  
 17 ~~the business is a partnership, S corporation, limited liability~~  
 18 ~~company, or estate or trust electing to have the income taxed~~  
 19 ~~directly to the individual, an individual may claim the tax~~  
 20 ~~credit allowed. The amount claimed by the individual shall be~~  
 21 ~~based upon the pro rata share of the individual's earnings of~~  
 22 ~~the partnership, S corporation, limited liability company, or~~  
 23 ~~estate or trust except as allowed for under subsection 8 when~~  
 24 ~~low-income housing tax credits authorized under section 42 of~~  
 25 ~~the Internal Revenue Code are used to assist in the financing~~  
 26 ~~of the housing development.~~

27 Sec. 14. Section 15E.193B, subsection 8, unnumbered  
 28 paragraph 2, Code 2013, is amended to read as follows:

29 The transferee may use the amount of the tax credit  
 30 transferred against the taxes imposed under chapter 422,  
 31 divisions II, III, and V, and chapter 432 for any tax year the  
 32 original transferor could have claimed the tax credit. Any  
 33 consideration received for the transfer of the tax credit shall  
 34 not be included as income under chapter 422, divisions II, III,  
 35 and V. Any consideration paid for the transfer of the tax

1 credit shall not be deducted from income under chapter 422,  
2 divisions ~~II~~, ~~III~~, and V.

3 Sec. 15. Section 15E.305, subsection 1, Code 2013, is  
4 amended to read as follows:

5 1. For tax years beginning on or after January 1, 2003,  
6 a tax credit shall be allowed against the taxes imposed in  
7 chapter 422, divisions ~~II~~, ~~III~~, and V, and in chapter 432, and  
8 against the moneys and credits tax imposed in section 533.329  
9 equal to twenty-five percent of a taxpayer's endowment gift to  
10 an endow Iowa qualified community foundation. ~~An individual~~  
11 ~~may claim a tax credit under this section of a partnership,~~  
12 ~~limited liability company, S corporation, estate, or trust~~  
13 ~~electing to have income taxed directly to the individual. The~~  
14 ~~amount claimed by the individual shall be based upon the pro~~  
15 ~~rata share of the individual's earnings from the partnership,~~  
16 ~~limited liability company, S corporation, estate, or trust. A~~  
17 tax credit shall be allowed only for an endowment gift made to  
18 an endow Iowa qualified community foundation for a permanent  
19 endowment fund established to benefit a charitable cause in  
20 this state. The amount of the endowment gift for which the  
21 tax credit is claimed shall not be deductible in determining  
22 taxable income for state income tax purposes. Any tax credit  
23 in excess of the taxpayer's tax liability for the tax year may  
24 be credited to the tax liability for the following five years  
25 or until depleted, whichever occurs first. A tax credit shall  
26 not be carried back to a tax year prior to the tax year in which  
27 the taxpayer claims the tax credit.

28 Sec. 16. Section 16.211, subsection 1, paragraph a,  
29 unnumbered paragraph 1, Code 2013, is amended to read as  
30 follows:

31 A tax credit shall be allowed against the taxes imposed in  
32 chapter 422, ~~divisions II and~~ division III, for a portion of  
33 a taxpayer's qualifying investment, as provided in subsection  
34 3, in a qualifying disaster recovery housing project. To  
35 qualify as a disaster recovery housing project, a property, and

1 the activities affecting the property, shall meet all of the  
2 following conditions:

3 Sec. 17. Section 16.211, subsection 1, paragraph a,  
4 subparagraph (1), Code 2013, is amended to read as follows:

5 (1) The property is owned by a taxpayer who is an  
6 ~~individual,~~ a ~~business,~~ or corporation subject to taxation  
7 under chapter 422, division ~~II~~ or III.

8 Sec. 18. Section 16.211, subsection 1, paragraph b, Code  
9 2013, is amended by striking the paragraph.

10 Sec. 19. Section 16.211, subsection 2, paragraph c, Code  
11 2013, is amended to read as follows:

12 c. The tax credit certificate, unless otherwise void, shall  
13 be accepted by the department of revenue as payment for taxes  
14 imposed pursuant to chapter 422, division ~~II~~ or III, subject  
15 to any conditions or restrictions placed by the authority upon  
16 the face of the tax credit certificate and subject to the  
17 limitations of this section.

18 Sec. 20. Section 16.211, subsection 4, Code 2013, is amended  
19 to read as follows:

20 4. For purposes of ~~individual and~~ corporate income taxes,  
21 the increase in the basis of the property that would otherwise  
22 result from the disaster recovery housing investment shall be  
23 reduced by the amount of the tax credit allowed under this  
24 section.

25 Sec. 21. Section 28A.24, Code 2013, is amended to read as  
26 follows:

27 **28A.24 Exemption from taxation.**

28 Since an authority is performing essential governmental  
29 functions, an authority is not required to pay any taxes or  
30 assessments of any kind or nature upon any property required  
31 or used by it for its purposes, or any rates, fees, rentals,  
32 receipts, or incomes at any time received by it, and the  
33 bonds issued by an authority, their transfer, and the income,  
34 including any profits made on the sale of the bonds, is  
35 deductible in determining net income for the purposes of the

1 state ~~individual and~~ corporate income tax under ~~divisions II~~  
2 ~~and~~ division III of chapter 422, and shall not be taxed by any  
3 political subdivision of this state.

4 Sec. 22. Section 35A.13, subsection 2, paragraph b, Code  
5 2013, is amended to read as follows:

6 b. Moneys credited to the fund pursuant to an income tax  
7 checkoff provided in chapter 422, division II, Code 2013, if  
8 applicable.

9 Sec. 23. Section 68A.102, subsection 21, Code 2013, is  
10 amended by striking the subsection.

11 Sec. 24. Section 85.61, subsection 6, paragraph b, Code  
12 2013, is amended by striking the paragraph.

13 Sec. 25. Section 100B.13, subsection 2, paragraph a, Code  
14 2013, is amended to read as follows:

15 a. Moneys credited to the fund pursuant to an income tax  
16 checkoff provided in chapter 422, division II, Code 2013, if  
17 applicable.

18 Sec. 26. Section 175.17, subsection 10, Code 2013, is  
19 amended to read as follows:

20 10. Bonds and notes issued by the authority for purposes of  
21 financing the beginning farmer loan program provided in section  
22 175.12 are exempt from taxation by the state, and interest  
23 earned on the bonds and notes is deductible in determining  
24 net income for purposes of the state ~~individual and~~ corporate  
25 income tax under ~~divisions II and~~ division III of chapter 422.

26 Sec. 27. Section 175.37, subsection 1, Code 2013, is amended  
27 to read as follows:

28 1. An agricultural assets transfer tax credit is allowed  
29 under this section. The tax credit is allowed against the  
30 taxes imposed in chapter 422, ~~division II, as provided in~~  
31 ~~section 422.11M, and in chapter 422,~~ division III, as provided  
32 in section 422.33, to facilitate the transfer of agricultural  
33 assets from a taxpayer to a beginning farmer.

34 Sec. 28. Section 175.37, subsection 3, Code 2013, is amended  
35 by striking the subsection.

1     Sec. 29. Section 175.37, subsection 7, Code 2013, is amended  
2 to read as follows:

3     7. A tax credit in excess of the taxpayer's liability for  
4 the tax year may be credited to the tax liability for the  
5 following five years or until depleted, whichever is earlier.  
6 A tax credit shall not be carried back to a tax year prior to  
7 the tax year in which the taxpayer redeems the tax credit. A  
8 ~~tax credit shall not be transferable to any other person other~~  
9 ~~than the taxpayer's estate or trust upon the taxpayer's death.~~

10    Sec. 30. Section 235A.2, subsection 1, Code 2013, is amended  
11 to read as follows:

12    1. A child abuse prevention program fund is created in  
13 the state treasury under the control of the department of  
14 human services. The fund is composed of moneys appropriated  
15 or available to and obtained or accepted by the treasurer of  
16 state for deposit in the fund. The fund shall include moneys  
17 transferred to the fund pursuant to an income tax checkoff  
18 provided in chapter 422, division II, Code 2013, if applicable.  
19 All interest earned on moneys in the fund shall be credited to  
20 and remain in the fund. Section 8.33 does not apply to moneys  
21 in the fund.

22    Sec. 31. Section 257.19, Code 2013, is amended to read as  
23 follows:

24    **257.19 Instructional support funding.**

25    1. The additional funding for the instructional support  
26 program for a budget year is limited to an amount not exceeding  
27 ten percent of the total of regular program district cost  
28 for the budget year and moneys received under section 257.14  
29 as a budget adjustment for the budget year. Moneys received  
30 by a district for the instructional support program are  
31 miscellaneous income and may be used for any general fund  
32 purpose. However, moneys received by a district for the  
33 instructional support program shall not be used as, or in a  
34 manner which has the effect of, supplanting funds authorized to  
35 be received under sections 257.41, 257.46, 298.2, and 298.4,

1 or to cover any deficiencies in funding for special education  
2 instructional services resulting from the application of the  
3 special education weighting plan under section 256B.9.

4 2. Certification of a board's intent to participate for  
5 a budget year, the method of funding, and the amount to be  
6 raised shall be made to the department of management not later  
7 than April 15 of the base year. Funding for the instructional  
8 support program shall be obtained from instructional support  
9 state aid and from local funding using either an instructional  
10 support property tax ~~or a combination of an instructional~~  
11 ~~support property tax and an instructional support income~~  
12 ~~surtax.~~

13 ~~The board of directors shall determine whether the~~  
14 ~~instructional support property tax or the combination of the~~  
15 ~~instructional support property tax and instructional support~~  
16 ~~income surtax shall be used for the local funding. Subject to~~  
17 ~~the limitation specified in section 298.14, if the board elects~~  
18 ~~to use the combination of the instructional support property~~  
19 ~~tax and instructional support income surtax, for each budget~~  
20 ~~year the board shall determine the percent of income surtax~~  
21 ~~that will be imposed, expressed as full percentage points, not~~  
22 ~~to exceed twenty percent.~~

23 Sec. 32. Section 257.21, Code 2013, is amended to read as  
24 follows:

25 **257.21 Computation of instructional support amount.**

26 The department of management shall establish the amount  
27 of instructional support property tax to be levied ~~and the~~  
28 ~~amount of instructional support income surtax to be imposed~~  
29 by a district in accordance with the decision of the board  
30 under section 257.19 for each school year for which the  
31 instructional support program is authorized. The department  
32 of management shall determine these amounts based upon the  
33 most recent figures available for the district's valuation of  
34 taxable property, ~~individual state income tax paid,~~ and budget  
35 enrollment in the district, and shall certify to the district's

1 county auditor the amount of instructional support property  
2 tax, and to the director of revenue the amount of instructional  
3 support income surtax to be imposed if an instructional support  
4 income surtax is to be imposed levied.

5 ~~The instructional support income surtax shall be imposed on~~  
6 ~~the state individual income tax for the calendar year during~~  
7 ~~which the school's budget year begins, or for a taxpayer's~~  
8 ~~fiscal year ending during the second half of that calendar year~~  
9 ~~and after the date the board adopts a resolution to participate~~  
10 ~~in the program or the first half of the succeeding calendar~~  
11 ~~year, and shall be imposed on all individuals residing in the~~  
12 ~~school district on the last day of the applicable tax year.~~  
13 ~~As used in this section, "state individual income tax" means~~  
14 ~~the taxes computed under section 422.5, less the amounts of~~  
15 ~~nonrefundable credits allowed under chapter 422, division II.~~

16 Sec. 33. Section 257.29, subsections 3 and 4, Code 2013, are  
17 amended to read as follows:

18 3. The educational improvement program shall be funded  
19 by either an educational improvement property tax or by a  
20 combination of an educational improvement property tax and an  
21 educational improvement income surtax. The method of raising  
22 the educational improvement moneys shall be determined by the  
23 board. Subject to the limitation in section 298.14, if the  
24 board uses a combination of an educational improvement property  
25 tax and an educational improvement income surtax, the board  
26 shall determine the percent of income surtax to be imposed,  
27 expressed as full percentage points, not to exceed twenty  
28 percent.

29 4. The department of management shall establish the amount  
30 of the educational improvement property tax to be levied or  
31 the amount of the combination of the educational improvement  
32 property tax to be levied and the amount of the school district  
33 income surtax to be imposed for each school year that the  
34 educational improvement amount is authorized. The educational  
35 improvement property tax and income surtax, if an income

1 ~~surtax is imposed~~, shall be levied and ~~imposed~~, collected,  
2 and paid to the school district in the manner provided for  
3 the instructional support program in ~~sections~~ section 257.21  
4 ~~through 257.26~~. Moneys received by a school district under the  
5 educational improvement program are miscellaneous income.

6 Sec. 34. Section 279.63, subsection 2, paragraph a, Code  
7 2013, is amended to read as follows:

8 a. All property tax levies, ~~income surtaxes~~, and local  
9 option sales taxes in place in the school district, listed by  
10 type of levy, rate, amount, duration, and notification of the  
11 maximum rate and amount limitations permitted by statute.

12 Sec. 35. Section 298.2, subsections 1 and 4, Code 2013, are  
13 amended to read as follows:

14 1. A physical plant and equipment levy of not exceeding  
15 one dollar and sixty-seven cents per thousand dollars of  
16 assessed valuation in the district is established except as  
17 otherwise provided in this subsection. The physical plant  
18 and equipment levy consists of the regular physical plant  
19 and equipment levy of not exceeding thirty-three cents per  
20 thousand dollars of assessed valuation in the district and  
21 a voter-approved physical plant and equipment levy of not  
22 exceeding one dollar and thirty-four cents per thousand  
23 dollars of assessed valuation in the district. ~~However, the~~  
24 ~~voter-approved physical plant and equipment levy may consist~~  
25 ~~of a combination of a physical plant and equipment property~~  
26 ~~tax levy and a physical plant and equipment income surtax~~  
27 ~~as provided in subsection 4 with the maximum amount levied~~  
28 ~~and imposed limited to an amount that could be raised by a~~  
29 ~~one dollar and thirty-four cent property tax levy~~. The levy  
30 limitations of this subsection are subject to subsection 6.

31 4. a. The board may on its own motion, and upon the  
32 written request of not less than one hundred eligible electors  
33 or thirty percent of the number of eligible electors voting  
34 at the last regular school election, whichever is greater,  
35 shall, direct the county commissioner of elections to provide

1 for submitting the proposition of levying the voter-approved  
 2 physical plant and equipment levy for a period of time  
 3 authorized by the voters at the election, not to exceed ten  
 4 years. The election shall be held on a date specified in  
 5 section 39.2, subsection 4, paragraph "c". The proposition is  
 6 adopted if a majority of those voting on the proposition at the  
 7 election approves it. The voter-approved physical plant and  
 8 equipment levy shall be funded either by a physical plant and  
 9 equipment property tax ~~or by a combination of a physical plant~~  
 10 ~~and equipment property tax and a physical plant and equipment~~  
 11 ~~income surtax, as determined by the board. However, if the~~  
 12 ~~board intends to enter into a rental or lease arrangement under~~  
 13 ~~section 279.26, or intends to enter into a loan agreement under~~  
 14 ~~section 297.36, only a property tax shall be levied for those~~  
 15 ~~purposes. Subject to the limitations of section 298.14, if~~  
 16 ~~the board uses a combination of a physical plant and equipment~~  
 17 ~~property tax and a physical plant and equipment surtax, for~~  
 18 ~~each fiscal year the board shall determine the percent of~~  
 19 ~~income surtax to be imposed expressed as full percentage~~  
 20 ~~points, not to exceed twenty percent.~~

21 ~~b. If a combination of a property tax and income surtax~~  
 22 ~~is used, by April 15 of the previous school year, the board~~  
 23 ~~shall certify the percent of the income surtax to be imposed~~  
 24 ~~and the amount to be raised to the department of management~~  
 25 ~~and the department of management shall establish the rate of~~  
 26 ~~the property tax and income surtax for the school year. The~~  
 27 ~~physical plant and equipment property tax and income surtax~~  
 28 ~~shall be levied or imposed, collected, and paid to the school~~  
 29 ~~district in the manner provided for the instructional support~~  
 30 ~~program in sections section 257.21 through 257.26.~~

31 Sec. 36. Section 404A.1, subsection 1, paragraph a, Code  
 32 2013, is amended to read as follows:

33 a. A historic preservation and cultural and entertainment  
 34 district tax credit, subject to the availability of the  
 35 credit, is granted against the tax imposed under chapter 422,

1 division ~~II, III, or V~~, or chapter 432, for the substantial  
2 rehabilitation of eligible property located in this state as  
3 provided in this chapter.

4 Sec. 37. Section 404A.2, subsection 2, Code 2013, is amended  
5 to read as follows:

6 2. For purposes of ~~individual and~~ corporate income taxes  
7 and the franchise tax, the increase in the basis of the  
8 rehabilitated property that would otherwise result from the  
9 qualified rehabilitation costs shall be reduced by the amount  
10 of the credit computed under this chapter.

11 Sec. 38. Section 404A.4, subsection 5, paragraph f, Code  
12 2013, is amended to read as follows:

13 f. The transferee may use the amount of the tax credit  
14 transferred against the taxes imposed under chapter 422,  
15 divisions ~~II, III, and V~~, and chapter 432 for any tax year the  
16 original transferor could have claimed the tax credit. Any  
17 consideration received for the transfer of the tax credit shall  
18 not be included as income under chapter 422, divisions ~~II,~~  
19 ~~III,~~ and V. Any consideration paid for the transfer of the tax  
20 credit shall not be deducted from income under chapter 422,  
21 divisions ~~II, III,~~ and V.

22 Sec. 39. Section 422.1, subsection 2, Code 2013, is amended  
23 to read as follows:

24 2. Division II ~~Personal net income tax~~ Provisions  
25 related to the business tax on corporations.

26 Sec. 40. Section 422.11L, subsection 1, unnumbered  
27 paragraph 1, Code 2013, is amended to read as follows:

28 The taxes imposed under ~~this division, less the credits~~  
29 ~~allowed under section 422.12,~~ III shall be reduced by a solar  
30 energy system tax credit equal to the sum of the following:

31 Sec. 41. Section 422.11L, subsection 3, Code 2013, is  
32 amended to read as follows:

33 3. a. ~~An individual may claim the tax credit allowed a~~  
34 ~~partnership, limited liability company, S corporation, estate,~~  
35 ~~or trust electing to have the income taxed directly to the~~

1 ~~individual. The amount claimed by the individual shall be~~  
2 ~~based upon the pro rata share of the individual's earnings of~~  
3 ~~the partnership, limited liability company, S corporation,~~  
4 ~~estate, or trust.~~

5 ~~b.~~ A taxpayer who is eligible to claim a credit under this  
6 section shall not be eligible to claim a renewable energy tax  
7 credit under chapter 476C.

8 Sec. 42. Section 422.11N, subsection 3, unnumbered  
9 paragraph 1, Code 2013, is amended to read as follows:

10 The taxes imposed under this division, ~~less the credits~~  
11 ~~allowed under section 422.12, III~~ shall be reduced by an  
12 ethanol promotion tax credit for each tax year that the  
13 taxpayer is eligible to claim the tax credit under this  
14 section. In order to be eligible, all of the following must  
15 apply:

16 Sec. 43. Section 422.11N, subsection 9, Code 2013, is  
17 amended by striking the subsection.

18 Sec. 44. Section 422.11O, subsection 2, unnumbered  
19 paragraph 1, Code 2013, is amended to read as follows:

20 The taxes imposed under this division, ~~less the credits~~  
21 ~~allowed under section 422.12, III~~ shall be reduced by an  
22 E-85 gasoline promotion tax credit for each tax year that  
23 the taxpayer is eligible to claim the tax credit under this  
24 subsection.

25 Sec. 45. Section 422.11O, subsection 7, Code 2013, is  
26 amended by striking the subsection.

27 Sec. 46. Section 422.11P, subsection 3, unnumbered  
28 paragraph 1, Code 2013, is amended to read as follows:

29 The taxes imposed under this division, ~~less the credits~~  
30 ~~allowed under section 422.12, III~~ shall be reduced by a  
31 biodiesel blended fuel tax credit for each tax year that  
32 the taxpayer is eligible to claim a tax credit under this  
33 subsection.

34 Sec. 47. Section 422.11P, subsection 7, Code 2013, is  
35 amended by striking the subsection.

1     Sec. 48. Section 422.11S, subsection 1, Code 2013, is  
2 amended to read as follows:

3     1. The taxes imposed under ~~this division, less the credits~~  
4 ~~allowed under section 422.12, III~~ shall be reduced by a  
5 school tuition organization tax credit equal to sixty-five  
6 percent of the amount of the voluntary cash or noncash  
7 contributions made by the taxpayer during the tax year to a  
8 school tuition organization, subject to the total dollar value  
9 of the organization's tax credit certificates as computed in  
10 subsection 7. The tax credit shall be claimed by use of a tax  
11 credit certificate as provided in subsection 6.

12     Sec. 49. Section 422.11S, subsection 4, Code 2013, is  
13 amended by striking the subsection.

14     Sec. 50. Section 422.11S, subsection 7, paragraph a,  
15 subparagraph (2), Code 2013, is amended to read as follows:

16     (2) *"Total approved tax credits"* ~~means for the tax year~~  
17 ~~beginning in the 2006 calendar year, two million five hundred~~  
18 ~~thousand dollars, for the tax year beginning in the 2007~~  
19 ~~calendar year, five million dollars, and for tax years~~  
20 ~~beginning on or after January 1, 2008, seven million five~~  
21 ~~hundred thousand dollars. However, for tax years beginning on~~  
22 ~~or after January 1, 2012, "total approved tax credits" means~~  
23 ~~eight million seven hundred fifty for tax years beginning on~~  
24 ~~or after January 1, 2014, two million one hundred eighty-seven~~  
25 ~~thousand five hundred~~ dollars.

26     Sec. 51. Section 422.11Y, subsection 3, unnumbered  
27 paragraph 1, Code 2013, is amended to read as follows:

28     The taxes imposed under ~~this division, less the credits~~  
29 ~~allowed under section 422.12, III~~ shall be reduced by the  
30 amount of the E-15 plus gasoline promotion tax credit for each  
31 tax year that the taxpayer is eligible to claim a tax credit  
32 under this subsection.

33     Sec. 52. Section 422.11Y, subsection 8, Code 2013, is  
34 amended by striking the subsection.

35     Sec. 53. Section 422.15, subsections 2 and 3, Code 2013, are

1 amended by striking the subsections.

2 Sec. 54. Section 422.15, subsection 4, Code 2013, is amended  
3 to read as follows:

4 4. Notwithstanding ~~subsections~~ subsection 1, 2, and 3, or  
5 any other provision of this chapter, withholding of income  
6 tax and any reporting requirement shall not be imposed upon  
7 a person, corporation, or withholding agent or any payor of  
8 deferred compensation, pensions, or annuities with regard to  
9 such payments made to a nonresident of the state.

10 Sec. 55. Section 422.21, Code 2013, is amended by striking  
11 the section and inserting in lieu thereof the following:

12 **422.21 Form and time of return.**

13 Returns shall be in the form the director prescribes, and  
14 shall be filed with the department on or before the last day  
15 of the fourth month after the expiration of the tax year.  
16 However, cooperative associations as defined in section 6072(d)  
17 of the Internal Revenue Code shall file their returns on or  
18 before the fifteenth day of the ninth month following the  
19 close of the taxable year and nonprofit corporations subject  
20 to the unrelated business income tax imposed by section  
21 422.33, subsection 1A, shall file their returns on or before  
22 the fifteenth day of the fifth month following the close of  
23 the taxable year. If, under the Internal Revenue Code, a  
24 corporation is required to file a return covering a tax period  
25 of less than twelve months, the state return shall be for the  
26 same period and is due forty-five days after the due date of  
27 the federal tax return, excluding any extension of time to  
28 file. In case of sickness, absence, or other disability, or  
29 if good cause exists, the director may allow further time for  
30 filing returns. The director shall cause to be prepared blank  
31 forms for the returns and shall cause them to be distributed  
32 throughout the state and to be furnished upon application,  
33 but failure to receive or secure the form does not relieve  
34 the taxpayer from the obligation of making a return that is  
35 required. The department may as far as consistent with the

1 Code draft income tax forms to conform to the income tax  
2 forms of the internal revenue department of the United States  
3 government.

4 Sec. 56. Section 422.22, Code 2013, is amended to read as  
5 follows:

6 **422.22 Supplementary returns.**

7 If the director shall be of the opinion that any taxpayer  
8 required under ~~this~~ division III to file a return has failed  
9 to file such a return or to include in a return filed, either  
10 intentionally or through error, items of taxable income,  
11 the director may require from such taxpayer a return or  
12 supplementary return in such form as the director shall  
13 prescribe, of all the items of income which the taxpayer  
14 received during the year for which the return is made, whether  
15 or not taxable under the provisions of ~~this~~ division III. If  
16 from a supplementary return, or otherwise, the director finds  
17 that any items of income, taxable under ~~this~~ division III, have  
18 been omitted from the original return, the director may require  
19 the items so omitted to be added to the original return. Such  
20 supplementary return and the correction of the original return  
21 shall not relieve the taxpayer from any of the penalties to  
22 which the taxpayer may be liable under any provisions of ~~this~~  
23 division III, whether or not the director required a return or  
24 a supplementary return under this section.

25 Sec. 57. Section 422.32, Code 2013, is amended to read as  
26 follows:

27 **422.32 Definitions.**

28 ~~1.~~ For the purpose of this division and unless otherwise  
29 required by the context:

30 ~~a.~~ 1. "*Affiliated group*" means a group of corporations as  
31 defined in section 1504(a) of the Internal Revenue Code.

32 ~~b.~~ 2. a. "*Business income*" means income arising from  
33 transactions and activity in the regular course of the  
34 taxpayer's trade or business; or income from tangible and  
35 intangible property if the acquisition, management, and

1 disposition of the property constitute integral parts of the  
 2 taxpayer's regular trade or business operations; or gain or  
 3 loss resulting from the sale, exchange, or other disposition of  
 4 real property or of tangible or intangible personal property,  
 5 if the property while owned by the taxpayer was operationally  
 6 related to the taxpayer's trade or business carried on in  
 7 Iowa or operationally related to sources within Iowa, or the  
 8 property was operationally related to sources outside this  
 9 state and to the taxpayer's trade or business carried on in  
 10 Iowa; or gain or loss resulting from the sale, exchange, or  
 11 other disposition of stock in another corporation if the  
 12 activities of the other corporation were operationally related  
 13 to the taxpayer's trade or business carried on in Iowa while  
 14 the stock was owned by the taxpayer. A taxpayer may have more  
 15 than one regular trade or business in determining whether  
 16 income is business income.

17 ~~(1)~~ b. It is the intent of the general assembly to treat as  
 18 apportionable business income all income that may be treated  
 19 as apportionable business income under the Constitution of the  
 20 United States.

21 ~~(2)~~ c. The filing of an Iowa income tax return on a  
 22 combined report basis is neither allowed nor required by this  
 23 paragraph ~~"b"~~ subsection.

24 ~~e.~~ 3. "*Commercial domicile*" means the principal place from  
 25 which the trade or business of the taxpayer is directed or  
 26 managed.

27 ~~d.~~ 4. "*Corporation*" includes joint stock companies, and  
 28 associations organized for pecuniary profit, and partnerships  
 29 and limited liability companies taxed as corporations under the  
 30 Internal Revenue Code.

31 ~~e.~~ 5. "*Domestic corporation*" means any corporation  
 32 organized under the laws of this state.

33 6. "*Fiduciary*" means a guardian, trustee, executor,  
 34 administrator, receiver, conservator, or any person, whether  
 35 individual or corporate, acting in any fiduciary capacity for

1 any person, trust, or estate.

2 7. "Fiscal year" means an accounting period of twelve  
3 months, ending on the last day of any month other than  
4 December.

5 ~~f.~~ 8. "Foreign corporation" means any corporation other  
6 than a domestic corporation.

7 9. "Foreign country" means any jurisdiction other than one  
8 embraced within the United States. The words "United States",  
9 when used in a geographical sense, include the states, the  
10 District of Columbia, and the possessions of the United States.

11 10. "Income year" means the calendar year or the fiscal year  
12 upon the basis of which the net income is computed under this  
13 division.

14 11. "Individual" means a natural person.

15 ~~g.~~ 12. "Internal Revenue Code" means the Internal Revenue  
16 Code of 1954, prior to the date of its redesignation as the  
17 Internal Revenue Code of 1986 by the Tax Reform Act of 1986,  
18 or means the Internal Revenue Code of 1986 as amended to and  
19 including January 1, 2012.

20 ~~h.~~ 13. "Nonbusiness income" means all income other than  
21 business income.

22 14. The word "paid", for the purposes of the deductions  
23 under this division, means "paid or accrued" or "paid or  
24 incurred", and the terms "paid or incurred" and "paid or  
25 accrued" shall be construed according to the method of  
26 accounting upon the basis of which the net income is computed  
27 under this division. The term "received", for the purpose  
28 of the computation of net income under this division, means  
29 "received or accrued", and the term "received or accrued" shall  
30 be construed according to the method of accounting upon the  
31 basis of which the net income is computed under this division.

32 15. "Resident" applies only to individuals and includes, for  
33 the purpose of determining liability to the tax imposed by this  
34 division upon or with reference to the income of any tax year,  
35 any individual domiciled in the state, and any other individual

1 who maintains a permanent place of abode within the state.

2 ~~i.~~ 16. "State" means any state of the United States, the  
3 District of Columbia, the Commonwealth of Puerto Rico, any  
4 territory or possession of the United States, and any foreign  
5 country or political subdivision thereof.

6 ~~j.~~ 17. "Taxable in another state". For purposes of  
7 allocation and apportionment of income under this division, a  
8 taxpayer is "taxable in another state" if:

9 ~~(1)~~ a. In that state the taxpayer is subject to a net  
10 income tax, a franchise tax measured by net income, a franchise  
11 tax for the privilege of doing business, or a corporate stock  
12 tax; or

13 ~~(2)~~ b. That state has jurisdiction to subject the taxpayer  
14 to a net income tax regardless of whether, in fact, the state  
15 does or does not.

16 18. a. "Tax year" means the calendar year, or the fiscal  
17 year ending during such calendar year, upon the basis of which  
18 the net income is computed under this division.

19 b. If a taxpayer has made the election provided by section  
20 441, subsection "f", of the Internal Revenue Code, "tax year"  
21 means the annual period so elected, varying from fifty-two to  
22 fifty-three weeks.

23 c. If the effective date or the applicability of a provision  
24 of this division is expressed in terms of a tax year beginning,  
25 including, or ending with reference to a specified date which  
26 is the first or last day of a month, a tax year described in  
27 paragraph "a" of this subsection shall be treated as beginning  
28 with the first day of the calendar month beginning nearest to  
29 the first day of the tax year or as ending with the last day of  
30 the calendar month ending nearest to the last day of the tax  
31 year.

32 ~~k.~~ 19. "Unitary business" means a business carried on  
33 partly within and partly without a state where the portion  
34 of the business carried on within the state depends on or  
35 contributes to the business outside the state.

1     ~~2. The words, terms, and phrases defined in division II,~~  
2 ~~section 422.4, subsections 4 to 6, 8, 9, 13, and 15 to 17, when~~  
3 ~~used in this division, shall have the meanings ascribed to them~~  
4 ~~in said section except where the context clearly indicates a~~  
5 ~~different meaning.~~

6     Sec. 58. Section 422.33, subsection 28, Code 2013, is  
7 amended to read as follows:

8     28. The taxes imposed under this division shall be reduced  
9 by a school tuition organization tax credit allowed under  
10 section 422.11S. ~~The maximum amount of tax credits that~~  
11 ~~may be approved under this subsection for a tax year equals~~  
12 ~~twenty-five percent of the school tuition organization's tax~~  
13 ~~credits that may be approved pursuant to section 422.11S,~~  
14 ~~subsection 7, for a tax year.~~

15     Sec. 59. Section 422D.1, Code 2013, is amended to read as  
16 follows:

17     **422D.1 Authorization — election — imposition and repeal —**  
18 **use of revenues.**

19     1. *a.* A county board of supervisors may offer for voter  
20 approval ~~any of the following taxes or a combination of the~~  
21 ~~following taxes:~~

22         ~~(1) Local option income surtax.~~

23         ~~(2) An an ad valorem property tax.~~

24     *b.* Revenues generated from ~~these taxes~~ the ad valorem  
25 property tax shall be used for emergency medical services as  
26 provided in section 422D.6.

27     2. ~~*a.*~~ The taxes property tax for emergency medical services  
28 shall only be imposed after an election at which a majority of  
29 those voting on the question of imposing the tax ~~or combination~~  
30 ~~of taxes specified in subsection 1, paragraph "a", subparagraph~~  
31 ~~(1) or (2),~~ vote in favor of the question. However, the tax  
32 ~~or combination of taxes specified in subsection 1~~ shall not  
33 be imposed on property within or on residents of a benefited  
34 emergency medical services district under chapter 357F. The  
35 question of imposing the tax ~~or combination of the taxes~~ may

1 be submitted at the regular city election, a special election,  
2 or state general election. Notice of the question shall be  
3 provided by publication at least sixty days before the time of  
4 the election and shall identify the tax ~~or combination of taxes~~  
5 and the levy rate ~~or rates, as applicable~~. If a majority of  
6 those voting on the question approve the imposition of the tax  
7 ~~or combination of taxes~~, the tax ~~or combination of taxes~~ shall  
8 be ~~imposed as follows~~:

9 ~~(1) A local option income surtax shall be imposed for tax~~  
10 ~~years beginning on or after January 1 of the fiscal year in~~  
11 ~~which the favorable election was held.~~

12 ~~(2) An ad valorem property tax shall be imposed levied for~~  
13 ~~the fiscal year in which the election was held.~~

14 ~~b. Before a county imposes an income surtax as specified~~  
15 ~~in subsection 1, paragraph "a", subparagraph (1), a benefited~~  
16 ~~emergency medical services district in the county shall be~~  
17 ~~dissolved, and the county shall be liable for the outstanding~~  
18 ~~obligations of the benefited district. If the benefited~~  
19 ~~district extends into more than one county, the county imposing~~  
20 ~~the income surtax shall be liable for only that portion of the~~  
21 ~~obligations relating to the portion of the benefited district~~  
22 ~~in the county.~~

23 3. Revenues received by the county from the ~~taxes imposed~~  
24 tax levied under this chapter shall be deposited into the  
25 emergency medical services trust fund created pursuant to  
26 section 422D.6 and shall be used as provided in that section.

27 4. Any tax ~~or combination of taxes imposed~~ levied under this  
28 chapter shall be for a maximum period of five years.

29 Sec. 60. Section 425.23, subsection 4, paragraph b, Code  
30 2013, is amended to read as follows:

31 b. The annual adjustment factor for the 1998 base year is  
32 one hundred percent. For each subsequent base year, the annual  
33 adjustment factor equals the annual inflation factor for the  
34 calendar year, in which the base year begins, as computed in  
35 section 422.4 ~~for purposes of the individual income tax, Code~~

1 2013.

2 Sec. 61. Section 476.20, subsection 3, paragraph b, Code  
3 2013, is amended to read as follows:

4 b. A qualified applicant for the low income home energy  
5 assistance program or the weatherization assistance program who  
6 is also a ~~"head of household", as defined in section 422.4,~~  
7 ~~subsection 7,~~ head of household shall be promptly certified  
8 by the local agency administering the applicant's program to  
9 the applicant's public utility that the resident is a ~~"head~~  
10 ~~of household" as defined in section 422.4, subsection 7,~~ head  
11 of household and is qualified for the low income home energy  
12 assistance program or weatherization assistance program.  
13 Notwithstanding subsection 1, a public utility furnishing gas  
14 or electricity shall not disconnect service from November 1  
15 through April 1 to a residence which has a resident that has  
16 been certified under this paragraph. For purposes of this  
17 paragraph, "head of household" has the same meaning as provided  
18 by the Internal Revenue Code.

19 Sec. 62. Section 476B.2, Code 2013, is amended to read as  
20 follows:

21 **476B.2 General rule.**

22 The owner of a qualified facility shall, for each  
23 kilowatt-hour of qualified electricity that the owner sells  
24 or uses for on-site consumption during the ten-year period  
25 beginning on the date the qualified facility was originally  
26 placed in service, be allowed a wind energy production tax  
27 credit to the extent provided in this chapter against the tax  
28 imposed in chapter 422, divisions II, III, and V, and chapter  
29 432, and may claim a refund of tax imposed by chapter 423 or  
30 437A for any tax year within the time period set forth in  
31 section 423.47 or 437A.14.

32 Sec. 63. Section 476B.6, subsection 5, paragraphs a through  
33 c, Code 2013, are amended to read as follows:

34 a. If the tax credit application is filed by a partnership,  
35 limited liability company, S corporation, estate, trust, or

1 other reporting entity all of the income of which is taxed  
2 directly to its equity holders or beneficiaries, for the taxes  
3 imposed under chapter 422, division ~~II~~ ~~or~~ III, the tax credit  
4 certificate shall be issued directly to equity holders or  
5 beneficiaries of the applicant in proportion to their pro rata  
6 share of the income of such entity. The applicant shall, in  
7 the application made under this section, identify its equity  
8 holders or beneficiaries, and the percentage of such entity's  
9 income that is allocable to each equity holder or beneficiary.

10 *b.* If the tax credit applicant under this section is  
11 eligible to receive renewable electricity production credits  
12 authorized under section 45 of the Internal Revenue Code,  
13 as amended, and the tax credit applicant is a partnership,  
14 limited liability company, S corporation, estate, trust, or  
15 other reporting entity all of the income of which is taxed  
16 directly to its equity holders or beneficiaries, for the taxes  
17 imposed under chapter 422, division ~~II~~ ~~or~~ III, the tax credit  
18 certificate may be issued to a partner if the business is a  
19 partnership, a shareholder if the business is an S corporation,  
20 or a member if the business is a limited liability company  
21 in the amounts designated by the eligible partnership, S  
22 corporation, or limited liability company. In absence of  
23 such designation, the credits under this section shall flow  
24 through to the partners, shareholders, or members in accordance  
25 with their pro rata share of the income of the entity. The  
26 applicant shall, in the application made under this section,  
27 identify the holders or beneficiaries that are to receive the  
28 tax credit certificates and the percentage of the tax credit  
29 that is allocable to each holder or beneficiary.

30 *c.* If an applicant under this section is eligible to  
31 receive renewable electricity production credits authorized  
32 under section 45 of the Internal Revenue Code, as amended, and  
33 the tax credit applicant is a partnership, limited liability  
34 company, S corporation, estate, trust, or other reporting  
35 entity all of the income of which is taxed directly to its

1 equity holders or beneficiaries, for the taxes imposed under  
2 chapter 422, division ~~II~~ or III, the tax credit certificates  
3 and all future rights to the tax credit in this section may be  
4 distributed to an equity holder or beneficiary as a liquidating  
5 distribution or portion thereof, of a holder or beneficiary's  
6 interest in the applicant entity. The applicant shall, in the  
7 application made under this section, designate the percentage  
8 of the tax credit allocable to the liquidating equity holder  
9 or beneficiary that is to receive the current and future tax  
10 credit certificates under this section.

11 Sec. 64. Section 476B.7, subsection 2, Code 2013, is amended  
12 to read as follows:

13 2. The tax credit shall be freely transferable. The  
14 transferee may use the amount of the tax credit transferred  
15 against the taxes imposed under chapter 422, divisions ~~II~~, ~~III~~,  
16 and V, and chapter 432 for any tax year the original transferor  
17 could have claimed the tax credit. The transferee may claim  
18 a refund under chapter 423 or 437A for any tax year within  
19 the time period set forth in section 423.47 or 437A.14 for  
20 which the original transferor could have claimed a refund.  
21 Any consideration received for the transfer of the tax credit  
22 shall not be included as income under chapter 422, divisions  
23 ~~II~~, ~~III~~, and V. Any consideration paid for the transfer of the  
24 tax credit shall not be deducted from income under chapter 422,  
25 divisions ~~II~~, ~~III~~, and V.

26 Sec. 65. Section 476C.4, subsection 4, paragraph a, Code  
27 2013, is amended to read as follows:

28 a. If the tax credit application is filed by a partnership,  
29 limited liability company, S corporation, estate, trust, or  
30 other reporting entity all of the income of which is taxed  
31 directly to its equity holders or beneficiaries, for the taxes  
32 imposed under chapter 422, division ~~II~~ or III, the tax credit  
33 certificate shall be issued directly to equity holders or  
34 beneficiaries of the applicant in proportion to their pro rata  
35 share of the income of such entity. The applicant shall, in

1 the application made under this section, identify its equity  
2 holders or beneficiaries, and the percentage of such entity's  
3 income that is allocable to each equity holder or beneficiary.

4 Sec. 66. Section 476C.4, subsection 4, paragraph b,  
5 subparagraph (1), Code 2013, is amended to read as follows:

6 (1) If the tax credit applicant under this section is  
7 eligible to receive renewable electricity production credits  
8 authorized under section 45 of the Internal Revenue Code,  
9 as amended, and the tax credit applicant is a partnership,  
10 limited liability company, S corporation, estate, trust, or  
11 other reporting entity all of the income of which is taxed  
12 directly to its equity holders or beneficiaries, for the taxes  
13 imposed under chapter 422, division ~~II~~ or III, the tax credit  
14 certificate may be issued to a partner if the business is a  
15 partnership, a shareholder if the business is an S corporation,  
16 or a member if the business is a limited liability company  
17 in the amounts designated by the eligible partnership, S  
18 corporation, or limited liability company. In absence of such  
19 designation, the credits under this section shall flow through  
20 to the partners, shareholders, or members in accordance with  
21 their pro rata share of the income of the entity.

22 Sec. 67. Section 476C.4, subsection 4, paragraph c,  
23 subparagraph (1), Code 2013, is amended to read as follows:

24 (1) If an applicant under this section is eligible to  
25 receive renewable electricity production credits authorized  
26 under section 45 of the Internal Revenue Code, as amended, and  
27 the tax credit applicant is a partnership, limited liability  
28 company, S corporation, estate, trust, or other reporting  
29 entity all of the income of which is taxed directly to its  
30 equity holders or beneficiaries, for the taxes imposed under  
31 chapter 422, division ~~II~~ or III, the tax credit certificates  
32 and all future rights to the tax credit in this section may be  
33 distributed to an equity holder or beneficiary as a liquidating  
34 distribution or portion thereof, of a holder or beneficiary's  
35 interest in the applicant entity.

1     Sec. 68. Section 476C.6, subsection 1, paragraph b, Code  
2 2013, is amended to read as follows:

3     **b.** The transferee may use the amount of the tax credit  
4 transferred against taxes imposed under chapter 422, divisions  
5 ~~II, III,~~ and V, and chapter 432 for any tax year the original  
6 transferor could have claimed the tax credit. The transferee  
7 may claim a refund under chapter 423 or 437A for any tax  
8 year within the time period set forth in section 423.47 or  
9 437A.14 for which the original transferor could have claimed  
10 the refund. Any consideration received for the transfer of  
11 the tax credit shall not be included as income under chapter  
12 422, divisions ~~II, III,~~ and V. Any consideration paid for the  
13 transfer of the tax credit shall not be deducted from income  
14 under chapter 422, divisions ~~II, III,~~ and V.

15     Sec. 69. Section 483A.1A, subsection 10, paragraph e, Code  
16 2013, is amended to read as follows:

17     **e.** Is a member of the armed forces of the United States  
18 who is serving on active duty, and claims residency in this  
19 state, ~~and has filed a state individual income tax return~~  
20 ~~as a resident pursuant to chapter 422, division II, for the~~  
21 ~~preceding tax year,~~ or is stationed in this state.

22     Sec. 70. REPEAL. Sections 68A.601, 257.22 through 257.26,  
23 298.14, 422.4 through 422.11B, 422.11D, 422.11F, 422.11H  
24 through 422.11J, 422.11M, 422.11Q, 422.11V through 422.11X,  
25 422.11Z, 422.12, 422.12B through 422.12E, 422.12H, 422.12J  
26 through 422.14, 422.16, 422.17, 422.19, 422.23, 422.27, 422.31,  
27 422D.2 through 422D.4, Code 2013, are repealed.

28     Sec. 71. CORRESPONDING AMENDMENTS LEGISLATION. Additional  
29 legislation is required to fully implement this division of  
30 this Act. The director of the department of revenue shall, in  
31 compliance with section 2.16, prepare draft legislation for  
32 submission to the legislative services agency, as necessary, to  
33 implement the repeal of the individual income tax under this  
34 division of this Act and under other provisions of law.

35     Sec. 72. APPLICABILITY. This division of this Act applies

1 to tax years beginning on or after January 1, 2014.

2 DIVISION II

3 SALES AND USE TAX

4 Sec. 73. Section 423.2, subsection 1, unnumbered paragraph  
5 1, Code 2013, is amended to read as follows:

6 There is imposed a tax of ~~six~~ eleven percent upon the sales  
7 price of all sales of tangible personal property, consisting  
8 of goods, wares, or merchandise, sold at retail in the state  
9 to consumers or users except as otherwise provided in this  
10 subchapter.

11 Sec. 74. Section 423.2, subsections 2 and 3, Code 2013, are  
12 amended to read as follows:

13 2. A tax of ~~six~~ eleven percent is imposed upon the sales  
14 price of the sale or furnishing of gas, electricity, water,  
15 heat, pay television service, and communication service,  
16 including the sales price from such sales by any municipal  
17 corporation or joint water utility furnishing gas, electricity,  
18 water, heat, pay television service, and communication service  
19 to the public in its proprietary capacity, except as otherwise  
20 provided in this subchapter, when sold at retail in the state  
21 to consumers or users.

22 3. A tax of ~~six~~ eleven percent is imposed upon the  
23 sales price of all sales of tickets or admissions to places  
24 of amusement, fairs, and athletic events except those of  
25 elementary and secondary educational institutions. A tax  
26 of ~~six~~ eleven percent is imposed on the sales price of an  
27 entry fee or like charge imposed solely for the privilege of  
28 participating in an activity at a place of amusement, fair, or  
29 athletic event unless the sales price of tickets or admissions  
30 charges for observing the same activity are taxable under this  
31 subchapter. A tax of ~~six~~ eleven percent is imposed upon that  
32 part of private club membership fees or charges paid for the  
33 privilege of participating in any athletic sports provided club  
34 members.

35 Sec. 75. Section 423.2, subsection 4, paragraph a, Code

1 2013, is amended to read as follows:

2     a. A tax of ~~six~~ eleven percent is imposed upon the sales  
3 price derived from the operation of all forms of amusement  
4 devices and games of skill, games of chance, raffles, and bingo  
5 games as defined in chapter 99B, and card game tournaments  
6 conducted under section 99B.7B, that are operated or conducted  
7 within the state, the tax to be collected from the operator in  
8 the same manner as for the collection of taxes upon the sales  
9 price of tickets or admission as provided in this section.  
10 Nothing in this subsection shall legalize any games of skill  
11 or chance or slot-operated devices which are now prohibited by  
12 law.

13     Sec. 76. Section 423.2, subsection 5, Code 2013, is amended  
14 to read as follows:

15     5. There is imposed a tax of ~~six~~ eleven percent upon the  
16 sales price from the furnishing of services as defined in  
17 section 423.1.

18     Sec. 77. Section 423.2, subsection 7, paragraph a,  
19 unnumbered paragraph 1, Code 2013, is amended to read as  
20 follows:

21     A tax of ~~six~~ eleven percent is imposed upon the sales  
22 price from the sales, furnishing, or service of solid waste  
23 collection and disposal service.

24     Sec. 78. Section 423.2, subsection 8, paragraph a, Code  
25 2013, is amended to read as follows:

26     a. A tax of ~~six~~ eleven percent is imposed on the sales  
27 price from sales of bundled transactions. For the purposes of  
28 this subsection, a "*bundled transaction*" is the retail sale of  
29 two or more distinct and identifiable products, except real  
30 property and services to real property, which are sold for one  
31 nonitemized price. A "*bundled transaction*" does not include  
32 the sale of any products in which the sales price varies, or  
33 is negotiable, based on the selection by the purchaser of the  
34 products included in the transaction.

35     Sec. 79. Section 423.2, subsection 9, Code 2013, is amended

1 to read as follows:

2 9. A tax of ~~six~~ eleven percent is imposed upon the  
3 sales price from any mobile telecommunications service,  
4 including all paging services, that this state is allowed  
5 to tax pursuant to the provisions of the federal Mobile  
6 Telecommunications Sourcing Act, Pub. L. No. 106-252, 4 U.S.C.  
7 § 116 et seq. For purposes of this subsection, taxes on mobile  
8 telecommunications service, as defined under the federal Mobile  
9 Telecommunications Sourcing Act that are deemed to be provided  
10 by the customer's home service provider, shall be paid to  
11 the taxing jurisdiction whose territorial limits encompass  
12 the customer's place of primary use, regardless of where the  
13 mobile telecommunications service originates, terminates,  
14 or passes through and shall in all other respects be taxed  
15 in conformity with the federal Mobile Telecommunications  
16 Sourcing Act. All other provisions of the federal Mobile  
17 Telecommunications Sourcing Act are adopted by the state of  
18 Iowa and incorporated into this subsection by reference. With  
19 respect to mobile telecommunications service under the federal  
20 Mobile Telecommunications Sourcing Act, the director shall, if  
21 requested, enter into agreements consistent with the provisions  
22 of the federal Act.

23 Sec. 80. Section 423.2, subsection 11, paragraph b,  
24 subparagraph (3), Code 2013, is amended to read as follows:

25 (3) Transfer ~~one-sixth~~ one-eleventh of the remaining  
26 revenues to the secure an advanced vision for education fund  
27 created in section 423F.2. This subparagraph (3) is repealed  
28 December 31, 2029.

29 Sec. 81. Section 423.2, subsection 13, Code 2013, is amended  
30 to read as follows:

31 13. The sales tax rate of ~~six~~ eleven percent is reduced to  
32 five ten percent on January 1, 2030.

33 Sec. 82. Section 423.5, unnumbered paragraph 1, Code 2013,  
34 is amended to read as follows:

35 Except as provided in subsection 3, an excise tax at the

1 rate of ~~six~~ eleven percent of the purchase price or installed  
2 purchase price is imposed on the following:

3     Sec. 83. Section 423.5, subsection 9, Code 2013, is amended  
4 to read as follows:

5     9. The use tax rate of ~~six~~ eleven percent is reduced to ~~five~~  
6 ten percent on January 1, 2030.

7     Sec. 84. Section 423.43, subsection 1, paragraph b, Code  
8 2013, is amended to read as follows:

9     b. Subsequent to the deposit into the general fund of  
10 the state and after the transfer of such revenues collected  
11 under chapter 423B, the department shall transfer ~~one-sixth~~  
12 one-eleventh of such remaining revenues to the secure an  
13 advanced vision for education fund created in section 423F.2.  
14 This paragraph is repealed December 31, 2029.

15     Sec. 85. EFFECTIVE DATE. This division of this Act takes  
16 effect January 1, 2014.

17

EXPLANATION

18     This bill relates to state taxes by repealing the individual  
19 income tax and increasing the state sales and use tax rates.

20     Division I repeals the individual income tax and makes  
21 numerous conforming changes to the Code to remove references  
22 to the individual income tax and to update or move provisions  
23 of the individual income tax that are also applicable by  
24 reference to the corporate income tax and the franchise tax.  
25 The division also repeals the emergency medical services income  
26 surtax in Code chapter 422D, the instructional support income  
27 surtax in Code section 257.21, the educational improvement  
28 income surtax in Code section 257.29, and the physical plant  
29 and equipment income surtax in Code section 298.2, because  
30 income surtax revenues will no longer be generated without the  
31 state individual income tax.

32     The division provides that additional legislation is  
33 required to fully implement the division and requires the  
34 director of the department of revenue to prepare draft  
35 legislation in compliance with Code section 2.16 for submission

1 to the legislative services agency to implement the repeal of  
2 the individual income tax.

3 The division takes effect on January 1, 2014, and applies to  
4 tax years beginning on or after that date.

5 Division II increases the state sales and use tax rate to 11  
6 percent from 6 percent.

7 The division takes effect on January 1, 2014.